

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6999**

**BILL NUMBER:** SB 165

**DATE PREPARED:** Apr 11, 2001

**BILL AMENDED:** Apr 11, 2001

**SUBJECT:** Charter Schools.

**FISCAL ANALYST:** Chuck Mayfield

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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill amends the law concerning Indianapolis Public Schools (IPS) to make the provisions concerning student standards, improvement, and accountability consistent with provisions applicable to other school corporations. It provides for collective bargaining and discussion rights for school employees, including charter school employees and employees of IPS. The bill defines a "sponsor" as: (1) the governing body of a school corporation; (2) the mayor of Indianapolis; or (3) state universities. It sets forth the organization, powers, method of establishment, charter contents, policies, oversight, and restrictions for charter schools. The bill requires teachers in a charter school to hold a license to teach in a public school or be participating in the Transition to Teaching program. The bill also provides that if a school corporation eliminates a teaching position in a noncharter school because of a charter school, the legal or contractual provisions, if any, otherwise applicable to the teacher whose contract is canceled, continue to apply to that teacher. It allows the conversion of an existing public school to a charter school if at least 67% of the teachers and 51% of the parents approve of the conversion. The bill also establishes the Transition to Teaching program to provide an alternative method through which professionals may obtain a teaching license. It appropriates \$50,000 in each year of the biennium to the Department of Education for its responsibilities under the charter school law and to provide advisory assistance concerning charter schools. The bill also makes conforming amendments to related statutes.

**Effective Date:** (Amended) Upon passage; July 1, 2001; July 1, 2002.

**Explanation of State Expenditures:** (Revised) *Charter Schools* - In order for the sponsor to grant a charter to an organizer, the organizer must submit to the sponsor a proposal to establish a charter school and include in the proposal plans concerning the method of instruction, curriculum, transportation, and budget. The sponsor would then make copies of the application available to the public, give notice of a public hearing, and hold a public hearing concerning the proposed charter school. A sponsor may not grant a charter to a for-profit organizer.

The sponsor of the charter school must notify the Department of Education of the receipt of a proposal and either acceptance or rejection of a proposal. The Department would compile information on charter school proposals into an annual report that would be submitted to the General Assembly.

Students who attend charter schools would be counted the same as students of the school corporation who do not attend a charter school. Consequently, the establishment of a charter school and attendance by students in a charter school will not reduce a school corporation's average daily membership (ADM). **Consequently, this bill will not change the overall amount of funding generated by the current school funding formula.**

The amount that each charter school would receive would depend on the number of students who are enrolled. The following table shows the average revenue per ADM that school corporations reported receiving from state and local funding sources in 2000. The bottom row shows the average amount that school corporations received on a per ADM basis from the combined sources.

|  | <u>5<sup>th</sup> Percentile</u> | <u>Average</u> | <u>95<sup>th</sup> Percentile</u> |
|--|----------------------------------|----------------|-----------------------------------|
| <b>State Support</b>                   | \$1,751                          | \$2,871        | \$4,931                           |
| <b>Levy Support</b>                    | \$822                            | \$1,554        | \$2,804                           |
| <b>Auto Excise Tax</b>                 | \$107                            | \$188          | \$286                             |
| <b>Financial Institutions Tax</b>      | \$0                              | \$10           | \$27                              |
| <b>Special Education</b>               | \$201                            | \$308          | \$452                             |
| <b>Vocational Education</b>            | \$22                             | \$69           | \$133                             |
| <b>At-Risk</b>                         | \$0                              | \$37           | \$107                             |
| <b>Growing Enrollment</b>              | \$0                              | \$3            | \$0                               |
| <b>Academic Honors</b>                 | \$4                              | \$13           | \$22                              |
| <b>Primetime</b>                       | \$36                             | \$105          | \$209                             |
| <b>Transportation</b>                  | \$8                              | \$50           | \$126                             |
| <b>Average Combined Amount per ADM</b> | \$4,765                          | \$5,202        | \$6,156                           |

Organizers of a charter school are required to submit an annual report to the Department of Education each year for informational and research purposes.

**The bill appropriates \$50,000 from the General Fund each year for FY 2002 and FY 2003 to administer the Charter School Program.**

*Transition to Teaching* - The bill establishes the Transition to Teaching Program. To participate, a person must have one of the following qualifications: 1) A bachelor's degree (or the equivalent) with a 3.0 grade-point average on a four-point scale (or the equivalent) in the subject area; 2) A graduate degree in the subject area the person intends to teach; or 3) Both a bachelor's degree and 5 years of experience in the area. The participant can receive an initial standard license by successfully completing the higher education component, prescribed written examination, a teacher internship program, and receiving a successful assessment of teaching skills from the school administrator where the internship program takes place.

The number of graduates and professionals that would select the Transition to Teaching Program is not known. Currently the Beginning Teacher Internship Program is administered by the Professional Standards

Board. A mentor teacher receives about \$600 to provide guidance to a beginning teacher. If 500 people participated in the alternative certification program, the cost of the internship program could be \$300,000.

In addition, the Alternative Certification Program would probably require a PAT I-level educational consultant at approximately \$47,640 for FY 2003 to handle the additional work.

The funds and resources required above could be supplied through a variety of sources, including the following: 1) existing staff and resources not currently being used to capacity; 2) existing staff and resources currently being used in another program; and 3) authorized, but vacant, staff positions, including those positions that would need to be reclassified.

As of November 15, 2000, three of the Board's 37 authorized positions were vacant. Of the vacancies, one is the director, another is the deputy director, and the third vacant position is an education consultant.

Other sources to fund personnel resources could originate from funds that, otherwise, would be reverted, or from new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill would depend upon legislative and administrative actions.

The Professional Standards Board is in the process of creating new certification standards that are based on performance instead of credit hours. If the new standards become reality then they may provide an alternative certification system.

**Explanation of State Revenues:** *Charter Schools* - Some monies may be available from Federal sources. Congress has made \$140 M available this year to states for local charter school start-up grants. The start-up grants may increase to \$190 M next year. The maximum grant per school is \$150,000. The specific amount that Indiana would have available is not immediately available. There are about 2,100 charter schools in 36 states that might qualify for the Federal grants.

**Explanation of Local Expenditures:** (Revised) *Indianapolis Public Schools* - The effect of reinstating collective bargaining and discussion rights to certificated school employees would have an indeterminable impact on the school corporation's administrative procedures.

There may be some additional short term administrative costs to IPS if they modify their student standards, improvement, and accountability provisions to be more consistent with other schools. The school may experience long-term savings from being able to simplify the procedures. Similarly, the cost of teacher evaluations may be higher initially since the procedure may be changed, but there may be a reduction in expenditures in the future.

The bill eliminates merit pay provisions for IPS employees. Performance awards were made to teachers at one school in the 1996-97 school year and in 21 schools in the 1997-98 school year. The total amount that was spent on performance awards was approximately \$500,000.

*Charter Schools* - If charter schools are established and a significant shift in students to charter schools occurs, the school corporation may need to reduce staff and operations in the non-charter schools to adjust to the fewer students.

The sponsor is required to provide the charter schools with an advance equal to the operating costs of the

charter schools for the initial six months of operations. The charter school will then repay the sponsor over a three-year period beginning six months after the charter school begins operations.

**Explanation of Local Revenues:** *Charter Schools* - This proposal would not affect property tax levies or rates because the students enrolled in a charter school would still be included in the school corporation's ADM.

Charter schools and programs would be allowed to charge tuition only for pre-school or Latch Key programs (if the charter school or program provides these programs). In terms of local school property tax levies, there would be no fiscal impact.

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** Local School Corporations.

**Information Sources:** Department of Education Data Bases.